

**REPORT OF THE AUDIT OF THE  
FAYETTE COUNTY  
CLERK**

**For the Year Ended  
December 31, 2007**

**FAYETTE COUNTY CLERK**

**DECEMBER 31, 2007**

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Lexington-Fayette Urban County Government  
The Honorable Donald W. Blevins, Fayette County Clerk  
Members of the Lexington-Fayette Urban County Council

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statement of revenues and expenditures - regulatory basis of the County Clerk of Fayette County, Kentucky, and the statement of revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer - regulatory basis for the year ended December 31, 2007. These financial statements are the responsibility of the County Clerk. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk prepares the financial statements on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion the accompanying financial statements referred to above present fairly, in all material respects, the revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer for the year ended December 31, 2007, in conformity with the regulatory basis of accounting described in Note 1.

The Honorable Jim Newberry, Mayor  
Lexington-Fayette Urban County Government  
The Honorable Donald W. Blevins, Fayette County Clerk  
Members of the Lexington-Fayette Urban County Council

In accordance with Government Auditing Standards, we have also issued our report dated July 24, 2008 on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

This report is intended solely for the information and use of the County Clerk and Urban County Council of Fayette County, Kentucky and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

  
Hisle & Company

July 24, 2008

This report contains 13 pages.

**FAYETTE COUNTY**  
**DONALD W. BLEVINS, COUNTY CLERK**  
**STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

**Revenues**

State fees for services:

Preparing tax bills	\$ 16,460	
Registration of voters	3,139	
Reimbursement of election personnel expenses	<u>83,329</u>	\$ 102,928

Lexington-Fayette Urban County Government:

Preparing tax bills		36,020
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Licenses and taxes:

Motor vehicle-

Licenses and transfers	\$ 7,936,525	
Usage tax	35,165,969	
Tangible personal property tax	21,603,594	
Duplicates and miscellaneous fees	334,716	
Child assistance donation	56,693	
Postage	128,459	

Licenses-

Marriage licenses	68,943	
Professional bond	40,966	
Deed transfer tax	1,885,000	
Delinquent taxes	<u>2,783,239</u>	70,004,104

Fees collected for services:

Recordings-

Affordable housing trust	\$ 387,258	
Deeds, easements and contracts	146,197	
Real estate mortgages	692,729	
Chattel mortgages and financing statements	536,874	
Powers of attorney	20,556	
Releases	116,818	
All other recordings	176,814	

Charges for other services-

Postage	96,033	
Copywork	<u>233,195</u>	2,406,474

Other:

Inspection fees	\$ 43,605	
Miscellaneous	<u>10,362</u>	53,967

Interest earned

77,042

Gross revenues (carried forward)

\$ 72,680,535

The accompanying notes are an integral part of these financial statements.

**FAYETTE COUNTY**  
**DONALD W. BLEVINS, COUNTY CLERK**  
**STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

Gross revenues (brought forward) \$ 72,680,535

**Expenditures**

Payments to state:

Motor vehicle-

Licenses and transfers \$ 5,467,518

Usage tax 34,108,784

Tangible personal property tax 9,026,504

Licenses, taxes, and fees-

Delinquent tax 1,934,244

Legal process tax 250,022

Affordable housing trust 387,258 \$ 51,174,330

Payments to Lexington-Fayette

Urban County Government:

Tangible personal property tax \$ 1,337,308

Delinquent tax 66,878

Deed transfer tax 1,790,750 3,194,936

Payments to Fayette County Schools:

Tangible personal property tax \$ 8,998,538

Delinquent tax 123,944 9,122,482

Payments to Fayette County Extension Office:

Tangible personal property tax \$ 48,510

Delinquent tax 515 49,025

Payments to Fayette County Health Dept.:

Tangible personal property tax \$ 423,703

Delinquent tax 3,959 427,662

Payments to LexTran:

Tangible personal property tax \$ 903,344

Delinquent tax 7,142 910,486

Payments to Fayette County Sheriff

8,783

Payments to Fayette County Attorney

406,301

Payments to Soil & Water

57

Other expenditures:

Inspection fees \$ 43,605

Miscellaneous 126,375 169,980

Total expenditures 65,464,042

Net revenues 7,216,493

Payments to State Treasurer:

75% Operating Fund \$ 5,503,411

25% County Fund 1,713,082 7,216,493

Balance due at completion of audit \$ 0

The accompanying notes are an integral part of these financial statements.

**FAYETTE COUNTY**  
**DONALD W. BLEVINS, COUNTY CLERK**  
**STATEMENT OF REVENUES, EXPENDITURES, AND FUND BALANCES**  
**OF THE COUNTY CLERK'S OPERATING FUND AND COUNTY FUND**  
**WITH THE STATE TREASURER - REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>75%</u> <u>Operating</u> <u>Fund</u>	<u>25%</u> <u>County</u> <u>Fund</u>	<u>Totals</u>
Fund balance - January 1, 2007	\$ 0	\$ 0	\$ 0
<b><u>Revenues</u></b>			
Fees paid to State - Operating Funds (75%)	5,503,411		5,503,411
Fees paid to State - County Funds (25%)		<u>1,713,082</u>	<u>1,713,082</u>
Total funds available	\$ <u>5,503,411</u>	\$ <u>1,713,082</u>	\$ <u>7,216,493</u>
<b><u>Expenditures</u></b>			
Lexington-Fayette Urban County Government	\$	\$ 1,713,082	\$ 1,713,082
Personnel services -			
Official's salary	96,517		96,517
Official's training incentive	3,387		3,387
Official's expense allowance	3,600		3,600
Deputies salaries	2,933,394		2,933,394
Employee benefits -			
Employer's share social security	218,805		218,805
Employer's share retirement	442,959		442,959
Employer's paid health insurance	418,255		418,255
Contracted services -			
Advertising	692		692
Printing and binding	27,288		27,288
Microfilm and microfiche	23,371		23,371
Maintenance and repairs	33,380		33,380
Software support	37,254		37,254
Insurance	23,129		23,129
Professional services	37,396		37,396
Materials and supplies -			
Office supplies	76,225		76,225
Computer supplies	5,187		5,187

The accompanying notes are an integral part of these financial statements.

**FAYETTE COUNTY**  
**DONALD W. BLEVINS, COUNTY CLERK**  
**STATEMENT OF REVENUES, EXPENDITURES, AND FUND BALANCES**  
**OF THE COUNTY CLERK'S OPERATING FUND AND COUNTY FUND**  
**WITH THE STATE TREASURER - REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>75%</b> <b>Operating</b> <b>Fund</b>	<b>25%</b> <b>County</b> <b>Fund</b>	<b>Totals</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Expenditures (Continued)</b>			
Other Charges -			
Conventions and travel	\$ 19,184	\$	\$ 19,184
Dues	15,261		15,261
Postage	88,445		88,445
Telephone	30,906		30,906
Rent	40,090		40,090
Bank charges	5,165		5,165
Miscellaneous	21,579		21,579
Capital Outlay -			
Furniture	2,706		2,706
Office equipment	193,329		193,329
Software	22,077		22,077
Building improvements	<u>8,978</u>		<u>8,978</u>
 Total expenditures	 <u>4,828,559</u>	 <u>1,713,082</u>	 <u>6,541,641</u>
 Fund balance - December 31, 2007	 <u>\$ 674,852</u>	 <u>\$ 0</u>	 <u>\$ 674,852</u>

The accompanying notes are an integral part of these financial statements.



**FAYETTE COUNTY  
DONALD W. BLEVINS, COUNTY CLERK  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**Note 1. Summary of Significant Accounting Policies**

**A. Fund Accounting**

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

**B. Basis of Accounting**

KRS 64.820 directs the fiscal court to collect any amount due from the County Clerk as determined by the audit.

KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the State Treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

The financial statements have been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31:

**FAYETTE COUNTY  
DONALD W. BLEVINS, COUNTY CLERK  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007  
(CONTINUED)**

**B. Basis of Accounting (Continued)**

- Interest receivable
- Collection on accounts due from others for 2007 services
- Reimbursements for 2007 activities
- Payments due other governmental entities for December tax and fee collections
- Payroll expenditures incurred but not paid
- Payments due vendors for goods or services provided in 2007

The Attorney General issued a letter which stated that some revenues of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are treated as revenue in the 75 percent fund.

**C. Cash and Investments**

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured by any obligation permitted by KRS 41.240(4).

**Note 2. Employee Retirement System**

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.19 percent for the first six months and 16.17 percent for the last six months of the year.

**FAYETTE COUNTY  
DONALD W. BLEVINS, COUNTY CLERK  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007  
(CONTINUED)**

**Note 2. Employee Retirement System (Continued)**

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

**Note 3. Deposits**

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(b). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2007, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**Note 4. Lease**

The Office of the County Clerk is committed to a lease agreement with Pitney Bowes for a mailing system. The agreement was entered into with an effective date of March 1, 2006. The agreement requires 20 quarterly payments of \$2,532. The total balance of the agreement is \$35,448 as of December 31, 2007. Pitney Bowes only allows this equipment to be leased, therefore, purchase of this equipment was not an option.

**FAYETTE COUNTY  
DONALD W. BLEVINS, COUNTY CLERK  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007  
(CONTINUED)**

**Note 4. Lease (Continued)**

The future minimum lease payments due under the terms of the lease for the years subsequent to December 31, 2007 are as follows:

<b><u>Year Ended December 31</u></b>	<b><u>Amount Due</u></b>
2008	\$ 10,128
2009	10,128
2010	10,128
2011	<u>5,064</u>
Total	\$ <u>35,448</u>

**REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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The Honorable Jim Newberry, Mayor  
Lexington-Fayette Urban County Government  
The Honorable Donald W. Blevins, Fayette County Clerk  
Members of the Lexington-Fayette Urban County Council

### **Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of The Financial Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements – regulatory basis of the Fayette County Clerk for the year ended December 31, 2007, and have issued our report thereon dated July 24, 2008. The County Clerk's financial statements are prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Fayette County Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Fayette County Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County Clerk's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control.

Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of the Financial Statements Performed in Accordance  
with Government Auditing Standards

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the Fayette County Clerk's financial statements as of December 31, 2007, are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Urban County Council of Fayette County, Ky. and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

  
Hisle & Company

July 24, 2008